

Brookstone Capital

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December 5, 2007

Mary Levine
MSHDA
735 E Michigan Ave
PO Box 30044
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Dear Ms. Levine and MSHDA Board Members:

Thank you for the opportunity to comment on proposed QAP 2008 – 2009. First of all, we would like to applaud and encourage MSHDA's efforts thru proposed QAP to support the following:

1. Michigan's Land Use Leadership Council Ten Growth Tenets
2. Michigan's Economy and Vibrant Communities
3. Michigan's Campaign to End Homelessness

We have following comments and concerns based on the final 2008-2009 QAP markup dated 11-30-2007:

1. If the proposed 25% 2008 tax credit will be available in December funding round, MSHDA and development community will face the following unprecedented challenges:
 1. 2005 – 2006 QAP like many other QAPs over the years was intended for 50% annual tax credit per funding round with several provisions including but not limited to funding cap available to certain projects. Therefore, if 25% annual allocation for December funding round is approved, it is no different than MSHDA is using a new QAP as the interpretation of 2005-2006 is no longer the same under this scenario and requires MSHDA staff members time to assist developers in understanding MSHDA's new interpretation under current QAP with 25% tax credit allocation. Therefore, we suggest forwarding 50% of the 2008 allocation using 2005-2006 QAP.
 2. Tax credit application requires tremendous amount of intensive work and resources from development team. Therefore, if MSHDA is determined to go forward in approving 25% annual tax credit for this funding round, we urge MSHDA issue immediately very detailed instructions and clarifications for housing providers addressing provisions that would be a potential problem for this funding round.

For example: with 25% annual tax credit of 19,000,000 under the current QAP 4,750,000 is available for all set asides.

Preservation: 30% or 1,425,000 and no more than 25% available to one project or no more than 356,250 available to one preservation project.

Small project: 10% or 475,000 and no more than 25% available to one project or no more than 118,000 to one project.

General Projects: 40% or 1,900,000 no more than 25% available or 475,000
Cool Cities: 5% or 237,500 no more than 45% available or 106,875.

Specifically, provide detailed explanations with regard to amount of tax credit available to a project under certain set aside to help housing providers make informative decisions as whether or not they should submit their applications in December to avoid wasting time and resources.

- B. Our second concern is all municipalities look for ways to bring back people to their downtowns to live, work and shop to support downtown merchants who had lost their customers over the years to big boxes. It is also of Governor Granholm's major goal to create vibrant downtowns in Michigan.

In addition, typically, downtown developments are infill projects which are likely less than thirty (30) units on Brownfield sites that requiring immense amount of funding to address historical environmental issues coupled with higher construction and land costs. We suggest, if 10% assisted units are reserved for the downtown developments, MSHDA would waive for the projects not to have to target income below 60% AMI in order to score in competitive funding rounds. We urge MSHDA review the downtown development goals in State of Michigan and approve a QAP that would balance the interest of all participating constituents to ensure successful achievement of Michigan Downtown developments.

- C. Thirdly, we see a lack of participation or engagement in discussing and providing inputs to MSHDA from municipalities with Cool Cities designation with exception of City of Detroit. We hope MSHDA could reach out to these municipalities similar to efforts to reach out to City of Detroit to have more understanding about their concerns and objectives prior to adopting proposed QAP. From our experience, all these municipalities have very keen interest in MSHDA programs and what income levels of housing projects are coming to their core cities. Many Michigan downtowns are located in poorest census tract and Downtown Development Authorities (DDA) have been trying to address the issue of further poverty concentration. We believe MSHDA should consider and be sensitive to this when proposing and approving new QAP.

We suggest avoiding the incomes targeting below 60% AMI and considering to reward developments five (5) points for 10% market rate units as 20% market rate units for 5 points would not make a project feasible due to equity loss without equal loan generated from market rate rents due to soft market. Municipality's officials would prefer to see market rate housing component in new infill downtown developments.

- D. Lastly, there is still strong misperception of LIHTC program in Michigan. New QAP should encourage diversified housing types which are well constructed, well managed and economically sustainable and to serve diversified population including workforce population to avoid reinforcing the LIHTC stereotype. The misperception in the long run will cause affordable housing creation in Michigan increasingly challenging and expensive due to increasingly hostile NIMBYSM.

Thank you very much for your time and consideration.



Mai Dong, Manager